

Message Text

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PAGE 01 PARIS 15957 191514Z
ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 EB-08 AID-05 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 IO-13 NEA-11 NSAE-00
OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01 AGRE-00
OMB-01 SS-15 STR-07 L-03 H-01 ICAE-00 NSCE-00
INRE-00 SSO-00 /111 W

-----042618 191519Z /46

O R 191508Z MAY 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 1793
INFO AMEMBASSY ANKARA IMMEDIATE
AMEMBASSY BERN
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY THE HAGUE
AMEMBASSY LONDON
AMEMBASSY OTTAWA
AMEMBASSY TOKYO

C O N F I D E N T I A L PARIS 15957

USOECD

E.O. 11652: GDS
TAGS: EFIN, EAID, TU, OECD
SUBJECT: RENEGOTIATION OF TURKEY'S EXTERNAL DEBT

REF: PARIS 15793

1. AFTER FULL DAY NEGOTIATIONS, CREDITOR COUNTRIES
REACHED AGREEMENT ON SUBSTANCE OF A NEGOTIATING PRO-
POSAL TO BE PRESENTED TO TURKISH DELEGATION LATE IN
EVENING OF MAY 18. ALTHOUGH PROPOSAL IS TOUGH, PRE-
LIMINARY INDICATIONS ARE THAT TURKISH DEL WILL ACCEPT
IT AS A BASIS FOR CONTINUING NEGOTIATIONS WITH CREDITORS.
IN VIEW USG DELEGATION, PROVISIONS REGARDING SHORT
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TERM DEBT ARE INADEQUATE IN RELATION TO THE REALITIES
OF CURRENT TURKISH BALANCE-OF-PAYMENTS SITUATION, AND
USG HAS ENTERED RESERVATION AMONG CREDITORS ON THIS
POINT. SPECIFICALLY, US DELEGATION WOULD LIKE TO SEE
AGREEMENT PROVIDE FOR RENEGOTIATION OF SOME SHORT-TERM
DEBT NOT YET IN ARREARS. FRENCH HAVE USED CHAIRMAN-
SHIP OF WORKING PARTY IN VERY EFFECTIVE FASHION TO

MINIMIZE IMPACT OF RENEGOTIATION OF SHORT-TERM DEBT.

2. THE MAJOR PROVISIONS OF PROPOSAL SUBMITTED TO
TURKISH DELEGATION ARE AS FOLLOWS:

(A) DEBT CONTRACTED BEFORE 1/1/78 AND HAVING A MATU-
RITY OF MORE THAN 1 YEAR.

-- 70 PERCENT OF PRINCIPAL AND INTEREST PAYMENTS DUE
BETWEEN 1/1/77 AND 5/31/78 AND NOT YET SETTLED (I.E.,
ARREARAGES);

-- 70 PERCENT OF THE PRINCIPAL AND INTEREST PAYMENTS
DUE BETWEEN 6/1/78 AND 12/31/78;

TO BE REPAID OVER 6 YEARS WITH THREE YEARS GRACE. THE
REMAINING 30 PERCENT TO BE PAID IN TWO EQUAL INSTALL-
MENTS ON 12/31/78 AND 6/30/79.

(B) DEBT CONTRACTED BEFORE 1/1/78 HAVING A MATURITY
OF ONE YEAR OR LESS.

-- 60 PERCENT OF THE AMOUNT OF PRINCIPAL AND INTEREST
PAYMENTS DUE BETWEEN 1/1/77 AND 5/19/78 AND NOT YET
SETTLED (I.E., ARREARAGES).

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TO BE REPAID OVER 4 YEARS WITH TWO YEARS GRACE. THE
REMAINING 40 PERCENT TO BE PAID IN TWO EQUAL INSTAL-
LEMENTS ON 9/30/78 AND 3/31/79.

3. NOTE: REVISED DATA SHOW OECD CREDITORS SHORT-TERM
GUARANTEED DEBT AT \$876 MILLION OF WHICH \$310 MILLION
IS IN ARREARS. FRG HAS LARGEST STOCK, \$428 MILLION
OF WHICH \$146 MILLION IN ARREARS. FRENCH SHORT-TERM
DEBT IS \$180 MILLION OF WHICH \$38 MILLION IS IN
ARREARS.
SALZMAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DEBTS, DEBT REPAYMENTS, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 19 may 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978PARIS15957
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780211-0626
Format: TEL
From: PARIS USOECD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780540/aaaabhiv.tel
Line Count: 105
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 593c8c9a-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 PARIS 15793
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 19 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2637655
Secure: OPEN
Status: NATIVE
Subject: RENEGOTIATION OF TURKEY'S EXTERNAL DEBT
TAGS: EFIN, EAID, TU, OECD
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/593c8c9a-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014